



Louisiana Housing Finance Agency  
2415 Quail Drive  
Baton Rouge, LA 70808  
225-763-8700 or 888-454-2001

## **REQUEST FOR PROPOSAL to provide services as Master Servicer**

### **Introduction**

Purpose of RFP. The Louisiana Housing Finance Agency (“LHFA”) is issuing this Request for Proposal (RFP) to organizations interested in serving as a member of its Finance Team as Master Servicer.

Term of Service. It is expected that the organization selected pursuant to this RFP will serve as Master Servicer beginning from the date of contract execution and will continue for a three-year term. The term of service will be subject to extension via annual renewal at the option of the Agency, except that any bond transaction in process as of the termination date shall be completed by the Master Servicer selected pursuant to this RFP, unless LHFA’s Board expressly specifies otherwise.

LHFA reserves the right to retain another firm or firms (through any process authorized by the LHFA Board) to assume responsibility as Master Servicer for any transaction initiated during the term of service if, in LHFA’s opinion, such action is justified or made necessary by relevant facts and circumstances.

Distribution of RFP. This RFP is being distributed to those firms deemed by the Staff of LHFA, its Financial Advisor and Bond Counsel to have significant experience as Master Servicer for State Housing Agencies and those who have expressed interest in responding to the Agency’s Request for Proposal. This Request for Proposal will be posted on the Agency’s website at [www.lhfa.state.la.us](http://www.lhfa.state.la.us).

### **Program Objectives**

Single Family Home Ownership Program. Programmatically, LHFA expects to continue using the lendable proceeds of each issue of single family MRBs to fund a mix of (a) traditional Low Rate Program Loans, which provide no assistance payments to the borrower but offers below market interest rates, (b) Assisted Program Loans which have a higher rate, but which provide the borrower with down payment and closing cost assistance payments, (c) HOME/MRB Assisted Program Loans which offer both a low interest rate and down payment/closing cost assistance, (d) qualified acquisition/rehabilitation loans and refinance/rehabilitation loans, and (e) taxable programs, special initiatives and other programs to promote homeownership and stability to the state’s housing stock for low to moderate income citizens of the State as approved and recommended by its staff and Board of Commissioners. The LHFA may offer multiple mortgage

rates on these programs simultaneously and may change these mortgage rates at anytime. The Master Servicer must securitize all loans into GNMA, Fannie Mae, or Freddie Mac certificates. The LHFA may provide down payment and closing cost assistance in the form of grants or second mortgages.

With respect to any particular proposed series of bonds, LHFA's objective is to structure the bonds and execute the bond sale in such a way as to minimize transaction costs and interest rates in order to be able to offer the most affordable mortgage loan interest rates and terms to homebuyers, while utilizing most, if not all, of the 1.125% interest rate spread available to the Agency under the IRS 143(g) (2).

Also, with respect to any particular proposed series of bonds, LHFA's objective is to structure the transaction in such a way as to maximize recovery of its up-front funding requirements (paid at closing) by the end of the MBS delivery/purchase period, unless it is clearly demonstrated that, by leaving funds under the lien of the related trust indenture, there is a materially greater economic benefit to the LHFA (as measured by the Net Present Value of future administrative fees, distributable cash and residuals vs up-front cash funding requirements).

It is the goal of the Agency to increase homeownership in rural areas of the State through the creation of new and innovative programs. In order to be the most effective in its use of funds, the Agency desires to reduce and/or minimize negative arbitrage in its Programs.

It is the goal of the Agency to allow all types of origination channels in the private mortgage market place to originate Mortgage Loans which will be funded, purchased or table-funded by the Master Servicer subject to specified underwriting, closing and post-closing services. Qualified Originators will be deemed by the Agency to have an appropriate relationship with the Master Servicer upon approval by the Master Servicer of a Broker Agreement, Correspondent Agreement or a Seller Agreement. The objective is to permit mortgage brokers, mortgage bankers and other types of mortgage lenders to participate in the origination of bond loans.

It is the goal of the Agency to enable persons to acquire a home and make appropriate repairs or to refinance existing mortgages in conjunction with making appropriate repairs to bring the property up to minimum property standards. The Master Servicer must have the capacity to administer and monitor construction progress and disburse escrowed repaid funds.

## **Scope of Services**

This RFP applies only to those financial institutions proposing to provide specialized services as Master Servicer including compliance monitoring review of loan closing dockets, bond exhibits and other documents relating to servicing of LHFA's Bond Programs.

The scope of services to be rendered to LHFA by the successful Respondent in connection with each issue of bonds will include, but not be limited to, the following:

1. Systematic and timely reporting of delinquencies of loans based upon 30, 60 and 90 days past due. Monitoring and reporting foreclosures as appropriate on MRB and HOME/MRB loans. Processing payoff requests and making these available online or to the LHFA on a monthly basis. Provide early delinquency intervention services, institute loss mitigation procedures and appropriate file retention in accordance with LHFA's written policy.

2. Approving and qualifying participating originators in LHFA's Single Family Mortgage Revenue Bond Program, including the implementation of procedures to insure that originators maintain minimum qualifications.
3. Obtaining and issuing fully modified pass-through mortgage-backed securities ("Certificates"). Such Certificates evidence the ownership of certain mortgage loans and the obligation of the Government National Mortgage Association ("GNMA"/Ginnie Mae) or the Federal National Mortgage Association (FNMA/"Fannie Mae") or the Federal Home Mortgage Loan Corporation ("FHMLC"/ Freddie Mac) to guarantee the timely payment of monthly principal and interest of qualifying Conventional Mortgage Loans, FHA, RD or VA mortgage loans made to finance the purchase, refinance or rehabilitate single family residences in the State of Louisiana. The Master Servicer shall cause the Certificates to be issued on or before the applicable Final Certificate Deadline (as defined in the Program Notice) in which Certificates are backed by Mortgage Loans closed prior to the related Final Closing Deadline. Loans must adhere to the guidelines and pricing of the Master Indenture, applicable Series Supplemental Indenture and Final Official Statement, ensuring that loans qualify for inclusion into Fannie Mae, Freddie Mac or GNMA pools. The Master Servicer will work closely with the Trustee to monitor bond proceeds and certificate purchases. Loans which do not qualify are to be sold back to the original originator and LHFA is to be notified.
4. Ensuring compliance by Lenders of the LHFA's Program requirements, including the development of required document lists to be used by participating originators. At a minimum, the following documents would be monitored for correctness and completeness-reflecting borrower's name, property address and loan information.
  - a. Note and pertinent riders
  - b. Mortgage and pertinent riders
  - c. Settlement Statement (HUD-1)
  - d. Current homeowners policy/declarations page
  - e. Escrow analysis or aggregate analysis from closing
  - f. Loan application
  - g. Appraisal
  - h. Original bond documents, specifically, but not exclusively Lenders Closing Certificate (Exhibit E) and Homebuyer Regulatory Agreement (Exhibit D-1)

The Master Servicer will advise the originator of any missing documentation and request that missing items be submitted in a timely manner. Failure of any originator to comply with program requirements or document submission will be reported to LHFA. The Master Servicer is permitted, with LHFA's approval, to establish a penalty fee for untimely or incomplete submission of any necessary documentation.

5. Reviewing and commenting on all loan or servicing documents prepared by the Agency's Financing Team.
6. Providing underwriting, closing document preparation and post – closing loan

fulfillment services for originators, which the Master Servicer is funding or table-funding loans on their behalf.

7. Setting up and maintaining escrow accounts for refinance/rehabilitation loans acquisition/rehabilitation loans (including but not limited to 203k, 203ks, and any conventional rehab mortgages products).
8. Providing a source of daily priced first mortgage capital for borrowers who qualify under FHA, VA, RD, Fannie Mae or Freddie Mac underwriting requirements.
9. Providing other related services as may reasonably be requested by the Agency from time to time.

## **Miscellaneous Terms and Conditions**

Disclosure of Litigation, Investigations and Regulatory Proceedings. As a condition of this RFP, the respondent must provide a summary of any material inquiries, investigations or litigation occurring during the past two years (including those in progress) regarding the conduct of your firm, your firm's management, or any employee or official associated with your firm. Describe any related actions taken against your firm or employees by any federal, state or municipal governmental entity or court or regulatory authority, including fines, suspensions, censure, etc. Your firm must currently be in good standing with LHFA.

Contact Prohibition. It is the express policy of the Agency that organizations refrain from initiating any direct or indirect contact or communication with members of the Board of Commissioners with regard to selection of organizations pursuant to this RFP while the selection process is occurring. Any violation of this policy will be considered a basis for disqualification.

Submission of Proposals. Proposals are to be limited to a total of 20 pages, not including a cover letter. Respondents must submit 25 copies of their proposal to LHFA, Attention: Brenda Evans, for receipt no later than **Friday, October 27, 2006**. Proposals must respond, in sequence, to the questions included as Exhibit A. Responses to each question must begin on a new page, with the question (or summary thereof) restated at the top of the page.

Review and Selection Process. All proposals will be reviewed by Staff, LHFA's Bond Counsel, Financial Advisors and the Single Family Committee of the Board of Commissioners. The Staff, Bond Counsel, Financial Advisors, and Single Family Committee will reach a consensus and forward recommendations to the full Board of Commissioners for its consideration and approval on **Wednesday, November 8, 2006**. LHFA may, but is not required to, request one or more respondents to make oral presentations to the Agency at that meeting. The LHFA, in making its selection, is not obligated to select a respondent based upon the point scores. Prospective Master Servicers are asked to refrain from contacting LHFA employees or board members regarding the RFP during the proposal review and selection process. Any questions or requests for clarification of this RFP should be directed in written form to Brenda Evans, Director of Programs, by **Wednesday, October 18, 2006**. Such questions may be mailed to 2415 Quail Drive, Baton Rouge, Louisiana 70808 or faxed to 225/763-8710. It is the sole responsibility of the prospective Master Servicer to inquire into and clarify any item of the RFP that is not understood.

Expenses Relating to Proposals. LHFA shall not be liable for any expenses

incurred by respondents in replying to this Request for Proposal.

Rejection and Negotiation. LHFA reserves the right to reject any and all proposals submitted in response to this RFP and to enter into fee negotiations with the respondents to this RFP as may be necessary or appropriate to refine the scope of services, fee arrangements, or any other aspect of the services to be provided hereunder.

The Agency reserves the right to select a respondent(s) for specific purposes or for any combination of specific purposes, and to defer the selection of a respondent(s) to a time of the Agency's choosing. The Agency will not permit responses utilizing joint ventures of any two or more firms.

Basis of Award. The LHFA's decision will be based upon points and other relevant information provided in the proposal. Please be advised that the LHFA intends to hire a single firm to serve as Master Servicer.

If it becomes necessary to revise any part of the Request for Proposal or otherwise provide additional information, an addendum may be issued by LHFA. The Addendum will be mailed to all respondents that have received written copies of the original Request for Proposal and posted to the Agency's website at [www.lhfa.state.la.us](http://www.lhfa.state.la.us).

Equal employment opportunity is a legal, social and economic necessity. LHFA is committed to equal opportunity and nondiscrimination in all employment practices. In connection with the performance of any work under this Request for Proposal, the respondent agrees to not discriminate against any employee or applicant for employment because of age, race, religion, creed, color, disability, marital status, sex, national origin, ancestry, sexual orientation, reserve status, or any other characteristic protected by local, state, or federal ordinance, law or regulation. In connection with the performance of any work under this Request for Proposal, the respondent agrees to take affirmative action to ensure equal employment opportunities.

## Exhibit A

### QUESTIONS FOR RESPONDENTS

1. Firm's Overview and Staffing. Provide the name, main office location(s), phone number and fax number of the primary contact person regarding your organization's proposal. Provide an overview of the history of your firm and its organizational structure relating to its role as Master Servicer. Identify each senior and support staff person to be assigned to the LHFA account. Clearly state the expected duties and responsibilities of each person and their degree of involvement in LHFA transactions. Include a brief resume describing each person's experience, specialized expertise, and qualifications to provide the services expected to be provided by such person. Please provide a current audited consolidated financial statement.
2. Overall and Louisiana Bond Experience. Summarize your organization's experience as Master Servicer for all types of housing/municipal bonds issued by the State of Louisiana and political subdivisions in Louisiana during the 3-year period covered by the table below as well as experience as Master Servicer for municipal bonds of other states.

Louisiana			Other States		
Year	# of Issues	\$ Volume (Millions)	Year	# of Issues	\$ Volume (Millions)
2003				2003	
2004				2004	
2005				2005	
Total				Total	

3. Firm's commitment to Louisiana's economy and residents. Does your firm's Louisiana office(s) have any special qualifications that could assist LHFA in their efforts to serve low to moderate income individuals and families in Louisiana?
4. Housing Bond Experience. Summarize your firm's experience as Master Servicer for all types of housing bonds (single family MRBs, multi-family MRBs, Qualified 501(c)(3) Bonds, Essential Function Bonds for housing, taxable and non-taxable issues or other HFA programs which do not involve bonds) issued during the previous 3-year period beginning in 2003. List other mortgage revenue bond programs for which your firm is currently serving as Master Servicer. As it relates to Single Family Mortgage Revenue Bond issues, specify your institution's current volume and capacity servicing FHA, VA, Rural Development and Conventional loans. Indicate if issues are taxable or tax exempt. Detail ability to perform due diligence on items listed in Section 4 of Scope of Services and adherence to the Agency's file retention policies.

5. Computer Capabilities. Describe the computer capabilities of your firm in connection with the monthly delinquency reporting; payoff requests for sales and refinances; ability to manipulate data by Issue, Interest Rate, Bond Type, Date, etc.) and provide access of same to LHFA. Describe capabilities for web-based access to two years of payment and collection history. Enumerate methods to maintain current copies of hazard, flood insurance with applicable deductibles and property taxes. Indicate the software system(s) that your firm currently interfaces with.
6. Master Servicer Criteria. - Indicate all of the following which apply to respondent:
- (i) Originated and/or serviced residential mortgage loans in the during the three-year period, 2003-2005,
  - (ii) FHA-approved mortgagee with direct endorsement,
  - (iii) VA-approved mortgagee with automatic authority,
  - (iv) Rural Development-approved mortgagee,
  - (v) GNMA-approved Seller/Servicer,
  - (vi) Fannie Mae/Freddie Mac approved Seller/Servicer with ability to offer all products offered by GSEs,
  - (vii) FDIC insured,
  - (viii) Maintain Errors and Omissions Insurance in amount required by GSEs,
  - (ix) Maintain Fidelity Bond Coverage in amount required by GSEs,
  - (x) Ability to provide early intervention and default counseling and management to first-time homebuyer,
  - (xi) Ability to underwrite all loans products available in secondary market, prepare closing documents and perform post – closing loan fulfillment services on behalf of originators who are being funded or table-funded by the Master Servicer.
7. Participating Originator Approval. Describe the criteria your organization will use to evaluate and approve Participating Originators for participation in LHFA's Program. Include matrix of the different types of approvals and qualifications for each that your organization will issue along with the services that will be available to the Originators based on the type of approval they receive (i.e. broker, correspondent, seller, etc.)
8. Document Preparation and Loan Fulfillment. Describe your experience in preparing closing documents, providing loan fulfillment and post closing services including experience with tax-exempt bond issues which use standard loan products securitized through Fannie Mae, Freddie Mac and Ginnie Mae. Elaborate on any other areas of experience.
9. Escrows/Disbursement Capabilities. Describe your firm's ability to set-up, monitor, disburse and provide for final inspection of escrows surrounding acquisition/rehabilitation and refinance/rehabilitation loans such as 203k, 203ks and other conventional rehab products.

10. Additional Services. In addition to the normal duties of Master Servicer, describe any other services (other than services as Master Servicer) your organization proposes to make available to the LHFA. Indicate the proposed basis for compensation for such services
11. Housing Programs. Describe any new/innovative housing programs proposed and/or developed by your organization since 2003 and which may be implemented by the Agency. Also, describe any innovative initiatives your organization would recommend be implemented to assist residents of rural and historically underserved communities.
12. Current Portfolio. Provide the following information relating to all single-family residential mortgage loans being serviced by you for your own account or for the accounts of other investors. Include in submission demonstration of ability to provide early intervention services and loss mitigation procedures.

<b>Delinquency/Foreclosure Data</b>	<b>12/31/03</b>	<b>12/31/04</b>	<b>12/31/05</b>
% 30-60 days delinquent			
% 61-90 days delinquent			
% of loans more than 90 days Delinquent			
% of loans in process of Foreclosure			
Dollar Amount of Loans being Serviced (indicate number of units)			

13. Potential Conflicts. Discuss how your firm would propose to deal with any potential conflicts arising from concurrently serving as Master Servicer for LHFA and for local public trust issuers of MRBs in the State.
14. Master Servicer Fees and Servicing Release Premium. Please use the Chart in Question 16 as the basis for calculating the Master Servicer Fee and the Servicing Release Premium. The Servicing Release Fee shall be due at the time a Mortgage Loan is purchased by the Master Servicer. Lenders must be fully compensated at the time a Mortgage Loan is purchased by the Master Servicer; therefore, the Master Servicer will be required to advance any amounts due Lenders when the Master Servicer purchases a Mortgage Loan from Lender. Master Servicer will be reimbursed for any advances as follows: (a) Advances of HOME Funds – Once a month from the Agency; (b) Advances of Lender Compensation: In part in the pricing of each Mortgage Loan purchased by the Master Servicer and the balance in the pricing of the MBS sale to the Trustee and the balance will be upon the purchase of the MBS by the Trustee.



15. Charges to Borrowers: Specify for each item below (i) the amounts customarily charged in Louisiana by (a) Lender/Originators, (b) Correspondent Lenders and (c) Brokers when owner financing is provided through conventional financing and (ii) the amounts charged when owner financing is provided by use of mortgage revenue bonds:

	Conventional Financing			MRB Financing		
	Lender Originator	Correspondent Lenders	Brokers	Lender Originator	Correspondent Lenders	Brokers
<b>Type of Charge</b>						
Application Fee						
Commitment Fee						
Survey Fee						
Credit Report Fee						
Insurance Charge						
Settlement Cost						
Tax Service Fee						
Other: _____ *						
Other: _____ *						
<b>TOTAL</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
*Master Servicer shall specify type and amounts for which the charges between Conventional Financing and MRB Financing differ.						

16. Originating Lender, Correspondent Lender and Broker Compensation: The following chart should evidence any and all differences in Lender/Originator, Correspondent Lender and Broker compensation arrangements by the Master Servicer:

**LHFA's Current Program Terms**

Originators' Net Compensation	2.25%
Borrower Origination Fee	0.00%
Borrower Discount	0.00%
Current Servicing Fees:	
GNMA Pools	0.44%
Conventional Loan Pools	0.25%

**Proposed Master Servicer Fee Structure:**

	Proposed Charge	Ordinary & Customary Amount *
Servicing Release Premium to be Paid to LHFA		
GNMA	<input type="text" value=" %"/>	<input type="text" value=" x"/>
Fannie Mae/Freddie Mac		
Assuming current 0.25% servicing fees	<input type="text" value=" %"/>	<input type="text" value=" x"/>
Assuming 0.35% servicing fees **	<input type="text" value=" %"/>	<input type="text" value=" x"/>

**Proposed Charges:****1) Loans from Eligible Participating Lenders**

Document preparation fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Document review	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Post Closing Loan Fulfillment Fees	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Tax Service Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Underwriting	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Flood Certification Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Other Fees/Charges	<input type="text" value="\$"/>	<input type="text" value="\$"/>
203(k)		
Fee per loan	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Fee on rehab amount	<input type="text" value="%"/>	<input type="text" value="%"/>

**2) Loans from Correspondent Lenders**

Document preparation fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Document review	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Post Closing Loan Fulfillment Fees	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Tax Service Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Underwriting	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Flood Certification Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Other Fees/Charges	<input type="text" value="\$"/>	<input type="text" value="\$"/>
203(k)		
Fee per loan	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Fee on rehab amount	<input type="text" value="%"/>	<input type="text" value="%"/>

### 3) Loans from Brokers

Document preparation fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Document review	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Post Closing Loan Fulfillment Fees	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Tax Service Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Underwriting	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Flood Certification Fee	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Other Fees/Charges	<input type="text"/>	<input type="text"/>
203(k)		
Fee per loan	<input type="text" value="\$"/>	<input type="text" value="\$"/>
Fee on rehab amount	<input type="text" value="%"/>	<input type="text" value="%"/>

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\* The selected respondent will be required to certify for federal tax purposes the ordinary and customary fees charged on non-MRB program loans made through similar lending arrangements. Note that any fees exceeding these will be charged against LHFA's allowable spread, reducing the Agency's earnings under the program. To assure federal tax law compliance, originating lenders must certify that borrowers have not paid any other fees than those specifically allowed under LHFA's program standards.

\*\* The respondent agrees that the applicable servicing release premium will be adjusted pro rata to any future change in allowed servicing fees based on this response.

**PROPOSAL EVALUATION CRITERIA**

<b><u>Question</u></b>	<b><u>Evaluation Criteria</u></b>	<b><u>Points</u></b>
1. Firm's Overview and Staffing		[10]
2. Overall and Louisiana Bond Experience		[10]
3. Firm's commitment to Louisiana's economy and residents		[20]
4. Housing Bond Experience		[20]
5. Computer Capabilities		[5]
6. Master Servicer Criteria		[5]
7. Participating Originator Approval		[15]
8. Document Preparation/Loan Fulfillment		[10]
9. Escrow/Disbursement Capabilities		[25]
10. Additional Services		[10]
11. Housing Programs		[15]
12. Current Portfolio		[15]
13. Potential Conflicts		[00]
14. Master Servicer Fees		[15]
15. Charges to Borrowers		[15]
16. Lender and Broker Compensation		[15]
<b>Total (Maximum Score)</b>		<b>205</b>